

Message Text

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43

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 ABF-01 FSE-00 PA-02 PRS-01 FEAE-00 INT-05 /096 W

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R 031305Z MAR 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 466

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

UNCLAS TEHRAN 2046

E.O. 11652: N/A

TAGS: EFIN, IR

SUBJECT: ESTABLISHMENT OF FORWARD MARKET FOR FOREIGN EXCHANGE
IN TEHRAN

REF: A. TEHRAN 1461; B. TEHRAN A-29; C. TEHRAN 1669

1. AS PROJECTED AT THE TIME THE SWITCH IN THE IRANIAN RIAL'S
LINK FROM THE DOLLAR TO SPECIAL DRAWING RIGHTS (REFS A AND B)
WAS ANNOUNCED, CENTRAL BANK OF IRAN (CBI) ON MARCH 2 ANNOUNCED
THE ESTABLISHMENT OF A FORWARD MARKET FOR FOREIGN EXCHANGE
IN TEHRAN. ONLY EXPORTERS WILL BE PERMITTED TO DEAL IN THE FORWARD
MARKET UP TO A MAXIMUM OF SIX MONTHS AHEAD. ACCORDING TO
FEREIDUN NADERI, DIRECTOR, CBI, FOREIGN DEPARTMENT, EXTENDING
THE FORWARD MARKET TO PERMIT IRANIAN IMPORTERS TO PARTICIPATE WILL
REMAIN "UNDER STUDY" FOR THE TIME BEING.

2. AN OFFICIAL CBI CIRCULAR DISTRIBUTED TO IRANIAN COMMERCIAL
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BANKS STATES THAT EXPORTERS SHOULD PRESENT A COPY OF AN EXPORT

AGREEMENT OR LETTER OF CREDIT TO THEIR COMMERCIAL BANK AND SIGN AN AGREEMENT WITH THE BANK THAT THEY WILL BE PAID IN RIALS ON THE DATE THE FOREIGN EXCHANGE IS TO BE SOLD AT THE PREVAILING FORWARD EXCHANGE RATE ON THE DAY THE AGREEMENT IS SIGNED. THE COMMERCIAL BANKS WILL SUBMIT A WEEKLY REPORT TO THE CENTRAL BANK ON THE NUMBER OF FORWARD CONTRACTS SIGNED, AND THE CBI WILL COVER THESE TRANSACTIONS AT THE PREVAILING FORWARD RATE.

3. ON MARCH 3, THE ONE-MONTH FORWARD RATE IS US \$1 EQUALS RLS. 66.322, TWO MONTHS RLS. 66.127, THREE MONTHS RLS. 65.934, AND SIX MONTHS RLS. 65.352. THE BUYING AND SELLING RATES FOR THE DOLLAR HAVE REMAINED AT RLS. 66.516 AND RLS. 66.766 FOLLOWING THE 1.46 PERCENT APPRECIATION OF THE RIAL ANNOUNCED ON FEBRUARY 19 (REF. C).

4. NADERI SAID THE CENTRAL BANK WILL DEAL ONLY IN FORWARD US DOLLARS BUT WILL COVER EXPORTERS' TRANSACTIONS IN ANY CURRENCY. THE FORWARD US DOLLAR/ RIAL RATE WILL BE ANNOUNCED DAILY. NADERI ADDED THAT FORWARD EXCHANGE RATES WILL VARY BOTH WITH THE SPOT RATE AND WITH INTEREST RATES BUT PROBABLY WILL NOT CHANGE EACH DAY.

5. COMMENT: MORE THAN 95 PERCENT OF IRAN'S EXPORTS ARE OF CRUDE OIL AND PETROLEUM PRODUCTS AND WILL NOT BE AFFECTED BY THE FORWARD FOREIGN EXCHANGE MARKET. ONLY ABOUT \$1 BILLION IN NON-OIL EXPORTS IS EXPECTED THIS YEAR, BUT THE ESTABLISHMENT OF A FORWARD MARKET NEVERTHELESS IS A NOTABLE STEP FORWARD IN MOVING TEHRAN TOWARDS BECOMING A FINANCIAL CENTER.
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TAGS: EFIN, IR
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